REPORT OF

COUNTY EMPLOYEES' RETIREMENT FUND

DECEMBER 31, 2005 and 2004

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
County Employees' Retirement Fund

We have audited the accompanying statements of plan net assets of the County Employees' Retirement Fund as of December 31, 2005, and 2004, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of County Employees' Retirement Fund as of December 31, 2005 and 2004, and the changes in plan net assets for the years then ended, in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis, and the schedules of funding progress and employer contributions are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included on pages 17-19 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Williams-Keepers LLC

April 14, 2006

COUNTY EMPLOYEES' RETIREMENT FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis (MD&A) of the County Employees' Retirement Fund's (CERF) financial performance provides an introduction to the financial statements of CERF for the years ended December 31, 2005 and 2004. Since the MD&A is designed to focus on current activities, resulting changes and current known facts, please read it in conjunction with the financial statements.

Required Financial Statements

CERF, a public employees' retirement plan, prepares its financial statements on the accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board. The Statement of Plan Net Assets includes all of CERF's assets and liabilities and provides information about the nature and amount of investments available to satisfy the pension benefits of the plan. All additions to and deductions from the net assets held in trust for pension benefits are accounted for in the Statement of Changes in Plan Net Assets. This statement measures CERF's success over the past year in increasing the net assets available for pension benefits.

Financial Analysis of CERF

While the Statement of Plan Net Assets and Statement of Changes in Plan Net Assets measure the value of plan net assets and the changes to them, another important factor needs to be considered in order to determine the financial health of CERF. That additional factor is the plan's funded status. In 2005, additions to net assets of $33,232,895 exceeded deductions of $14,008,352 by $19,224,543. This net increase brought the Plan's net asset base to $197,722,089. For actuarial calculations, CERF's actuary uses the market value of assets as of the end of a plan year to determine the actuarial value of assets. For the January 1, 2006, valuation, the actuarial value of assets was $197,722,089. The aggregate actuarial liability for CERF was $272,270,967. The plan is not 100% funded at present, as it is a relatively new plan created by legislation in August, 1994 and the CERF plan granted past service credit. Our funded position has steadily improved since inception and the actuary expects it to continue to improve. On an actuarial basis, the assets held currently fund 73% of this liability. This is an increase from the funding ratio of 70% for 2004. If a ratio of the actuarial value of assets to the actuarial present value of accrued benefits is used, the funding ratio increases from 82% as of January 1, 2005, to 84% as of January 1, 2006.

Plan Net Assets

To begin the financial analysis, a summary of CERF's Plan Net Assets is as follows:

Condensed Statements of Plan Net Assets
(in $000's)

	2005	2004	Dollar Change	Percent Change
Cash and cash equivalents	$ 1,014	$ 63	$ 951	1,510 %
Receivables	3,243	3,221	22	1
Investments	190,373	174,333	16,040	9
Capital assets, net	4,625	2,802	1,823	65
Total assets	199,255	180,419	18,836	10
Liabilities	1,533	1,921	(388)	(20)
Total plan net assets	$ 197,722	$ 178,498	$ 19,224	11 %

As the above table shows, plan net assets increased by $19,224,543, or 11%, in 2005. This increase reflects the investment gains experienced in 2005, as well as the addition of the CERF Administrative Office building which was completed in mid-2005.

The following table presents the investment allocation for 2005 and 2004, and CERF's target allocation for 2005:

	2005	2004	Target
Bonds	24.2%	29.0%	30.0%
U. S. Equities	41.0%	44.2%	42.5%
International Equities	14.8%	14.8%	12.5%
Equity Long/Short	9.8%	9.1%	10.0%
Real Estate	2.7%	0.0%	5.0%
Cash	7.5%	2.9%	*

* The investment policy permits up to 3% of the portfolio to be in cash and cash equivalents.

The underweighting of Bonds and U. S. Equities in 2005 was both attributable to poor bond return and for building a reserve to fund the ING real estate investment in the 4th quarter.

Condensed Statements of Plan Net Assets
(in $000's)

	2004	2003	Dollar Change	Percent Change
Cash and cash equivalents	$ 63	$ 36	$ 27	75 %
Receivables	3,221	3,332	(111)	(3)
Investments	174,333	146,356	27,977	19
Fixed assets, net	2,802	1,807	995	55
Total assets	180,419	151,531	28,888	19
Liabilities	1,921	1,180	741	63
Total plan net assets	$ 178,498	$ 150,351	$ 28,147	19 %

As the above table shows, plan net assets increased by $28,147,000, or 19%, in 2004. This increase reflects the significant investment gains experienced in 2004.

The following table presents the investment allocation for 2004 and 2003, and CERF's target allocation for 2004:

	2004	2003	Target
Bonds	29.0%	36.0%	30.0%
U. S. Equities	44.2%	45.8%	42.5%
International Equities	14.8%	14.5%	12.5%
Equity Long/Short	9.1%	0.0%	10.0%
Real Estate	0.0%	0.0%	5.0%
Cash	2.9%	3.7%	3.0%

* The investment policy permits up to 3% of the portfolio to be in cash and cash equivalents.

The change from 2003 to 2004 in the weightings between fixed income and stocks is primarily due to the poor bond return and positive stock return in 2004 which reduced the absolute value of CERF's bond holdings and its relationship to stocks. Also, the new asset allocation targets established in 2004 decreased the target allocation to bonds.

Condensed Statements of Changes in Plan Net Assets
(in $000's)

	2005	2004	Dollar Change	Percent Change
Additions:				
Contributions:				
Counties	$ 18,832	$ 18,643	$ 189	1 %
Member, regular	5,003	3,893	1,110	29
Members, purchase of prior service	58	95	(37)	(39)
Total contributions	23,893	22,631	1,262	6
Net investment income	9,340	17,767	(8,427)	(47)
Total additions	33,233	40,398	(7,165)	(18) %

	2005	2004	Dollar Change	Percent Change
Deductions:				
Benefits	$ 9,910	$ 8,777	$ 1,133	13 %
Refunds	1,177	660	517	78
Defined contribution plan match	979	864	115	13
Administrative expenses	1,943	1,951	(8)	(0)
Total deductions	14,009	12,252	1,757	14
Net increase in plan net assets	$ 19,224	$ 28,146	$ (8,922)	(31) %

Condensed Statements of Changes in Plan Net Assets
(in $000's)

	2004	2003	Dollar Change	Percent Change
Additions:				
Contributions:				
Counties	$ 18,643	$ 19,826	$ (1,183)	(6) %
Member, regular	3,893	2,879	$ 1,014	35
Members, purchase of prior service	95	45	$ 50	111
Total contributions	22,631	22,750	(119)	(1)
Net investment income	17,767	25,461	(7,694)	(30)
Total additions	40,398	48,211	(7,813)	(16) %

Deductions:				
Benefits	$ 8,777	$ 7,774	$ 1,003	13 %
Refunds	660	382	278	73
Defined contribution plan match	864	823	41	5
Administrative expenses	1,951	1,912	39	2
Total deductions	12,252	10,891	1,361	12
Net increase (decrease) in plan net assets	$ 28,146	$ 37,320	$ (9,174)	(24) %

Additions

Additions needed to fund benefits are accumulated through contributions and returns on invested funds. Contributions for 2005 totaled $23,892,465 which was 6% above those received in 2004. Because of the legislation which took effect in 2003, as new employees continue to replace employees hired prior to February 25, 2002, employee contributions are expected to continue to rise.

The $8,426,454 decrease in net investment income in 2005, as compared to 2004, is attributable to the poor performance of the markets in 2005. Consequently, the total rate of return for the portfolio in 2005 was 5.8%, as compared to 12.3% in 2004. CERF's Large Cap U.S. Equities returned 6.3%, as compared to 4.9% for the S & P 500 Index. The Small/Mid Cap U.S. Equities returned 4.2%, as compared to 8.1% for the Russell 2500 Index. The fixed income portfolio returned 2.2%, as compared to 2.4% for the Lehman Brothers Aggregate Index. Our international stock portfolio returned 12.2%, as compared to 14% for the MSCI EAFE Index. The Equity Long/Short position returned 8.5%, as compared to 10.7% for the HFRI Equity Hedge Index. Beginning in October 2005, CERF was able to invest in the ING – Clarion Lion Properties Fund, which is a core real estate investment. For the 4th quarter of 2005, it returned 4.1% as compared to the NCREIF Property Index return of 5.4%.

The $7,693,664 decrease in net investment income in 2004, as compared to 2003, is attributable to the leveling out of the markets from their upsurge in 2003. Consequently, the total return for the portfolio in 2004 was 12.3%, as compared to 22.5% in 2003. CERF's Large Cap U.S. Equities returned 14.1%, as compared to 10.9% for the S & P 500 Index. The Small/Mid Cap U.S. Equities returned 16.5%, as compared to 18.3% for the Russell 2500 Index. The fixed income portfolio returned 4.4%, as compared to 4.3% for the Lehman Brothers Aggregate Index. Our international stock portfolio returned 26.7%, as compared to 20.7% for the MSCI EAFE Index. Beginning September 1, 2004, CERF added an Equity Long/Short position to its portfolio. For the fourth quarter (which was the first full quarter this strategy was in place) the Equity Long/Short investment returned 4.4%, as compared to 5.7% for the HFRI Equity Hedge Index.

When comparing returns it is important to remember that as a fairly new pension fund, created by legislation in August 1994, CERF's investment program has a very long time horizon. Some of the longer-term results for the total fund are:

Period	Annualized Returns
One year	5.8%
Three years	13.3%
Five Years	5.9%
Ten Years	10.5%

Deductions

The expenses paid by CERF include benefit payments, refunds, and administrative expenses. Expenses for 2005 totaled $14,008,352, an increase of $1,756,982 over 2004. The increase in benefit payments to members and beneficiaries resulted primarily from growth in the number of annuitants to 2,029 in 2005 from 1,806 in 2004, as well as an increase in the amount of the average benefit. The $516,838 increase in refunds in 2005 is primarily due to the refunding of larger amounts of contributions being made by employees hired after February 24, 2002 as these employees terminate, non-vested.

Expenses for 2004 totaled $12,251,370, an increase of $1,360,338 over 2003. The increase in benefit payments to members and beneficiaries resulted primarily from growth in the number of annuitants to 1,806 in 2004 from 1,670 in 2003, as well as an increase in the amount of the average benefit. The $277,346 increase in refunds in 2004 is primarily due to the refunding of larger amounts of contributions being made by employees hired after February 24, 2002 as the employees terminate, non-vested.

Economic Factors Impacting 2006

CERF's estimated investment return for the three months ended March 31, 2006, is approximately 4.3%. CERF's total investments as of March 31, 2006, are approximately $206,319,000, an increase of $11,370,946 since December 31, 2005, due to appreciable investment return during the 1st quarter 2006.

COUNTY EMPLOYEES' RETIREMENT FUND

STATEMENTS OF PLAN NET ASSETS
December 31, 2005 and 2004

	2005	2004
ASSETS		
Cash	$ 1,014,340	$ 63,072
Receivables:		
Member contributions	316,833	284,003
Member prior service contributions	133,616	151,802
County contributions	2,230,121	2,216,874
CERF administrative office	2,001	2,001
Accrued interest and dividends	560,193	565,741
Total receivables	3,242,764	3,220,421
Investments, at fair value:		
U.S. Government and agencies	25,164,351	29,244,370
Foreign Bonds	256,407	947,958
Corporate bonds	20,564,734	20,266,845
Domestic stocks	78,056,620	77,116,877
International equities funds	28,243,279	25,813,203
Hedge funds	18,751,041	15,849,000
Real estate fund	5,121,510	-
Cash equivalents	14,215,255	5,094,949
Total investments	190,373,197	174,333,202
Capital assets, net of accumulated depreciation of $1,120,537 and $936,971	4,624,852	2,802,067
Total assets	199,255,153	180,418,762
LIABILITIES		
Accounts payable	306,865	861,300
Accrued defined contribution plan contribution	978,612	864,074
Other accrued expenses	96,110	96,327
Deferred revenue	151,477	99,515
Total liabilities	1,533,064	1,921,216
Net assets held in trust for pension benefits	$ 197,722,089	$ 178,497,546

(A schedule of funding progress is presented on page 15)

The notes to financial statements are an integral part of these statements

COUNTY EMPLOYEES' RETIREMENT FUND

STATEMENTS OF CHANGES IN PLAN NET ASSETS
For the Years Ended December 31, 2005 and 2004

	2005	2004
Additions:		
Contributions:		
Counties	$ 18,831,892	$ 18,643,018
Members, regular	5,003,001	3,892,500
Members, purchase of prior service	57,572	95,149
Total contributions	23,892,465	22,630,667
Investment income:		
Net appreciation in fair value of investments	5,918,877	14,363,230
Interest	2,593,677	2,603,897
Dividends	1,926,309	1,783,509
Total investment income	10,438,863	18,750,636
Less investment expenses	1,098,433	983,752
Net investment income	9,340,430	17,766,884
Total additions	33,232,895	40,397,551
Deductions:		
Benefits	9,909,963	8,776,912
Refunds of member contributions	1,176,530	659,692
Defined contribution plan matching contribution	978,612	864,074
Administrative expense	1,943,247	1,950,692
Total deductions	14,008,352	12,251,370
Net increase	19,224,543	28,146,181
Net assets held in trust for pension benefits		
Beginning of year	178,497,546	150,351,365
End of year	$ 197,722,089	$ 178,497,546

The notes to financial statements are an integral part of these statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The County Employees' Retirement Fund financial statements are prepared using the accrual basis of accounting. Member and employer contributions are recognized in the period in which the contributions are due. Benefits are recognized when due and payable in accordance with the terms of the plan. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made.

Method Used to Value Investments: Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Bonds and stocks traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Property and Equipment: Property and equipment, including computer software programs, are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated lives of the assets of from three to fifty years.

2. PLAN DESCRIPTION

The County Employees' Retirement Fund was established by an act of the Missouri General Assembly effective August 28, 1994. Laws governing the retirement fund are found in Sections 50.1000-50.1300 of the Missouri Revised Statutes (RSMo). The Board of Directors consists of eleven members, nine of whom are county employee participants. Two members, who have no beneficiary interest in the Fund, are appointed by the Governor of Missouri. The Board of Directors has the authority to adopt rules and regulations for administering the system.

The Fund is a mandatory cost-sharing multiple employer retirement system for each county in the state of Missouri, except any city not within a county (which excludes the City of St. Louis) and counties of the first classification with a charter form of government. The Fund covers county elective or appointive officers or employees whose position requires the actual performance of duties not less than 1,000 hours per year; including employees of circuit courts located in a first class, non-charter county which is not participating in the Local Government Employees Retirement System (LAGERS); and does not cover circuit clerks, deputy circuit clerks, county prosecuting attorneys, and county sheriffs. Until January 1, 2001, employees hired before January 1, 2001 could opt out of the system. The Fund is a defined benefit plan providing retirement and death benefits to its members. All benefits vest after 8 years of creditable service. Employees who retire on or after age 62 are entitled to an allowance for life based on the form of payment selected. The normal form of payment is a single life annuity. Optional joint and survivor annuity and 10-year certain and life annuity payments are also offered to members in order to provide benefits to a named survivor annuitant after their death. Employees who have a minimum of 8 years of creditable service may retire with an early retirement benefit and receive a reduced allowance after attaining age 55. Annual cost-of-living adjustments, not to exceed1%, are provided for eligible retirees and survivor annuitants, up to a lifetime maximum of 50% of the initial benefit which the member received upon retirement. Benefit provisions are fixed by state statute and may be amended only by action of the Missouri Legislature. Administrative expenses for the operation of the Fund are paid out of the funds of the system.

Contributions: Prior to January 1, 2003, participating county employees, except for those who participated in LAGERS, were required to make contributions equal to 2% of gross compensation. Effective January 1, 2003, in addition to the prior contributions requirements, participating county employees hired on or after February 25, 2002 are required to make contributions of 4% if they are in a LAGERS county and contributions of 6% if

they are in a non-LAGERS county. If an employee leaves covered employment before attaining 8 years of creditable service, accumulated employee contributions are refunded to the employee. The contribution rate is set by state statute and may be amended only by action of the Missouri Legislature.

In addition, the following fees and penalties prescribed under Missouri law are required to be collected and remitted to the Fund:

By counties covered by the fund:

* Late fees on filing of personal property tax declarations
* Twenty dollars for each merchants and manufacturers license issued
* Six dollars on each document recorded or filed with county recorders of deeds, with an additional one dollar on each document recorded
* Three sevenths of the fee on delinquent property taxes
* Interest earned on investment of the above collections prior to remittance to the Fund

Members: The Fund members include eligible employees of 111 counties in the State of Missouri. The number of members and benefit recipients served by the system at December 31, 2005 and 2004 was:

	2005	2004
Retirees and beneficiaries receiving benefits	2,053	1,818
Terminated employees entitled to but not yet receiving benefits	1,225	1,068
Current active plan members	10,808	10,657
Total	14,086	13,543

Tax status: The Internal Revenue Service has determined and informed the Fund by letter dated January 16, 2001, that the plan as amended through May 1, 2000 is in a form acceptable under the Internal Revenue Code.

3. DEPOSITS AND INVESTMENTS

During 2005, the Fund implemented Governmental Accounting Standards Board Statement No. 40 (GASB 40), *Deposit and Investment Risk Disclosures*. As a result, investment disclosures pertaining to 2004 that were not required under previous accounting standards are not presented herein.

Custodial Credit Risk for Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Fund's deposits may not be returned to it. At December 31, 2005, and 2004, the Fund's bank balances were secured by a combination of federal depository insurance and pledged collateral held in the Fund's name by an agent of the depository bank.

Investments: Funds are invested by outside managers under policies established by the Board of Directors. The Board requires that its investment managers invest the Fund's assets with the care, skill, and diligence a prudent person familiar with such matters acting in a like capacity would use in a similar enterprise with like objectives.

The following table summarizes CERF investments by type at December 31, 2005:

U.S. government and agencies securities	$ 25,164,351
Foreign bonds	256,407
Corporate bonds	20,564,734
Domestic stocks	78,056,620
International equities funds	28,243,279
Hedge funds	18,751,041
Real estate fund	5,121,510
Cash equivalents	14,215,255
Total	$ 190,373,197

The Fund's investment policy permits investments in equity and fixed income (debt) securities and real estate, with guidelines provided for the percentage of the total for each category, and for the type of investments within each category.

With respect to debt securities, the policy permits fixed and variable rate securities issued or guaranteed by the U.S. government, its agencies or instrumentalities; and U.S. government sponsored and other corporation securities. To manage interest rate and credit risks, two investment managers are used for debt securities, each operating under specific guidelines with respect to approved securities, duration, diversification, and minimum quality ratings by Moody's or Standard and Poors

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. This risk is managed within the portfolio using the option-adjusted methodology. The Fund benchmarks the fixed income portfolio to the Lehman Brothers Aggregate Bond Index. At December 31, 2005, the effective duration of the Lehman Aggregate Bond Index was 4.57 years, whereas, the Fund's fixed income portfolio had an effective duration of 3.91 years.

Investment	Fair Value	Effective Duration Rate
U.S. Treasuries	$ 11,850,516	6.01 years
U.S. agencies	3,448,096	3.35 years
U.S. agencies mortgage pool	9,944,833	3.6 years
Commercial mortgage backed securities	4,508,248	5.26 years
Other asset backed securities	2,670,568	1.62 years
U.S. corporate - financial	4,578,551	4.95 years
U.S. corporate - industrial	7,219,200	5.64 years
U.S. corporate - utility	1,414,887	7.27 years
International	256,407	4.77 years
Total	$ 45,891,306	

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the Fund. The Fund's debt securities investments by credit rating category as of December 31, 2005 are presented in the following table.

Credit Rating Level	Total	U.S. Treasuries and Direct-Guaranteed Agencies	U.S. Sponsored Agencies	U.S. Sponsored Agencies - Mortgage Pools	Commercial Mortgage Backed Securties	Other Commercial Asset backed securites	U.S. Corporate Financial	U.S. Corporate Industrial	U.S. Corporate Utility	Foreign
Guaranteed	$ 11,850,516	$ 11,850,516	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Aaa	21,082,274	-	3,448,096	9,944,833	4,508,248	2,670,568	400,660	-	-	109,869
Aa1	284,586	-	-	-	-	-	-	284,586	-	-
Aa3	923,127	-	-	-	-	-	923,127	-	-	-
A	236,829	-	-	-	-	-	236,829	-	-	-
A1	799,554	-	-	-	-	-	799,554	-	-	-
A2	325,229	-	-	-	-	-	130,530	194,699	-	-
A3	654,307	-	-	-	-	-	126,350	527,957	-	-
Baa1	1,395,343	-	-	-	-	-	167,739	874,561	353,043	-
Baa2	2,501,838	-	-	-	-	-	662,851	1,077,752	614,697	146,538
Baa3	2,791,871	-	-	-	-	-	719,526	1,740,423	331,922	-
Ba1	1,005,965	-	-	-	-	-	287,785	602,955	115,225	-
Ba2	837,445	-	-	-	-	-	123,600	713,845	-	-
Ba3	839,764	-	-	-	-	-	-	839,764	-	-
B1	241,395	-	-	-	-	-	-	241,395	-	-
B3	86,175	-	-	-	-	-	-	86,175	-	-
BBB	35,088	-	-	-	-	-	-	35,088	-	-
Total	$ 45,891,306	$ 11,850,516	$ 3,448,096	$ 9,944,833	$ 4,508,248	$ 2,670,568	$ 4,578,551	$ 7,219,200	$ 1,414,887	$ 256,407

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a Fund's investment in a single issuer. The Fund's investment guidelines require diversified portfolios with no single issue, excluding U.S. government securities, being greater than 5% of each manager's total portfolio value at cost or 7% at market value. GASB 40 requires disclosure of any single issue, excluding U.S. government securities, that exceeds 5% of the total investment portfolio. As of December 31, 2005, no single issue exceeded the 5% threshold.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The following is a summary of the Fund's international equities funds showing the exposure to foreign currency risk as of December 31, 2005:

Brazilian Real	$ 736,331
Canadian Dollar	535,133
China Yuan Renminbi	49,161
Denmark Kroner	1,490
Euro	10,502,882
Hong Kong Dollar	39,310
Japanese Yen	5,535,471
Mexico Peso	355,337
New Zealand Dollar	313,017
Norwegian Krone	14,897
Russian Ruble	49,161
Singapore Dollar	931,724
South Korean Won	1,526,292
Swiss Franc	1,645,986
Taiwan New Dollars	419,757
United Kingdom Pound	4,300,485
Venezuelan Bolivar	104,339
United States Dollar	1,182,506
Total Foreign Equities	$ 28,243,279

Derivatives: International securities investment managers are authorized to engage in forward contracts to exchange different currencies at a specific date and rate. These forward contracts involve elements of custodial and market risk in excess of the amount recognized in the statement of plan assets. However, the Fund did not have any forward contracts outstanding as of December 31, 2005 and 2004.

4. CAPITAL ASSETS

Capital assets consist of the following:

	January 1, 2005	Additions	Disposals	December 31, 2005
Equipment, furnishings and computer software	$ 1,531,977	$ 317,681	$ (118,974)	$ 1,730,684
Less accumulated depreciation	936,971	289,098	(105,532)	1,120,537
	595,006	28,583	(13,442)	610,147
Land	986,316	-	-	986,316
Building	1,220,745	1,807,644	-	3,028,389
	$ 2,802,067	$ 1,836,227	$ (13,442)	$ 4,624,852

5. PRIOR SERVICE CONTRIBUTIONS

Prior to January 1, 2000, an eligible county employee who was employed on January 1, 1990, but not employed at the Fund's inception and who had at least eight years of prior service could purchase a portion of such prior service. For those who elected to purchase such prior service, fifty percent of the dollar amount of the purchase as calculated by law is due upon retirement and the remaining amount is deducted from retirement benefit payments over a maximum period of four years.

The receivable for member prior service contributions shown on the accompanying statement of net assets represents the total amount, as of December 31, 2005 and 2004, that is due in future periods from retirees who have elected to purchase prior service.

An eligible county employee who opted out of the system prior to January 1, 2000 had the option to become a member within three months of the three year anniversary of the decision to opt out. Upon deciding to opt in to the system such employee either purchased in total or began payroll deductions to purchase all or part of his prior creditable service plus interest over a maximum period of four years. Such amounts are recognized as contributions when received by the Fund.

6. OPERATING LEASES

The Fund leases office facilities and equipment under noncancellable operating leases. Total cost for such leases was $8,160 and $87,944 for the years ended December 31, 2005 and 2004, respectively. The Fund's annually renewable lease for office space expired in June 2005, just subsequent to the move to the new administrative office building.

The future minimum lease payments required under noncancellable operating leases with terms in excess of one year are as follows:

Year ending December 31:	Amount
2006	8,160
2007	8,160
2008	5,465
2009	2,610
Total	$ 24,395

7. RETIREMENT PLANS FOR FUND EMPLOYEES

All full-time employees of the Fund are eligible for participation in a defined contribution plan. The Fund contributes 6% of a participating employee's monthly gross salary to the plan. The contribution requirements of the plan are governed by the plan document, which may be amended by the Board of Directors. Employees do not contribute to the retirement plan. Employees become vested in contributions made by the Fund after 5 years of creditable service. Total contributions for the year ended December 31, 2005 and 2004 were $30,944 and $26,246, respectively.

All full-time employees are eligible for participation in an Internal Revenue Code (IRC) 457 deferred compensation plan upon their eligibility in the defined contribution plan.

8. DEFINED CONTRIBUTION AND DEFERRED COMPENSATION PLANS

Plan Description: Effective January 1, 2000, the Fund also administers a defined contribution plan and an IRC Section 457 deferred compensation plan. The plans were established to provide an opportunity for members of the pension plan to have additional retirement benefits. The plans' provisions and contribution requirements are established and may be amended only by action of the Missouri Legislature. Members of the pension plan are eligible to participate.

Contributions: Pension plan members who are not members of LAGERS are required to contribute 0.7% of gross compensation to the defined contribution plan. Contributions of $687,219 and $621,695 were made during the years ended December 31, 2005 and 2004 respectively. Participation in the 457 plan is voluntary. The level of contributions to the 457 plan is elected by the employee, subject to the limitations of IRC Sections 401(a) and 457. The Fund's Board of Directors determines if matching contributions from the pension plan trust funds for a calendar year will be made to the defined contribution plan accounts of those who participated in the 457 plan. The amount of any matching contribution is determined by the Board, and is limited to an amount not needed to keep the pension plan actuarially sound. The matching contribution is also limited to 50% of a non-LAGERS member's voluntary contributions (25% for LAGERS participants) to the 457 plan, up to 3% of the non-LAGERS member's compensation (1.5% for LAGERS participants). Members vest in the matching portion of contributions allocated to their respective accounts after five years of creditable service. Matching contributions for the years ended December 31, 2005 and 2004 were $978,612 and $864,074, respectively.

Administration: Maintenance of individual member accounts and custody of assets have been contracted to a third party administrator and investment custodian, respectively. Member contributions are sent directly to the third party administrator by the counties. Members can self-direct investments of their contributions and their respective share of matching contributions in a number of investment options. Separate trust funds are maintained for the defined contribution and 457 plan assets. Because the Fund does not hold the plans' assets and does not have significant administrative responsibilities, the plans' assets and changes in net assets are not reported in the Fund's financial statements.

9. RISK MANAGEMENT

The Fund is exposed to various risks of loss related to natural disasters, errors and omission, loss of assets, torts, etc. The Fund has chosen to cover such losses through the purchase of commercial insurance. There have been no significant insurance claims filed or paid during the past three years.

COUNTY EMPLOYEES' RETIREMENT FUND

REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2005

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b)-(a))/(c)
1/1/97	$ 30,150,614	$ 111,270,496	$ 81,119,882	27.1%	$ 161,510,026	50.2%
1/1/98	47,522,395	143,254,851	95,732,456	33.2%	172,931,700	55.4%
1/1/99	68,201,273	168,913,204	100,711,931	40.4%	171,194,099	58.8%
1/1/00	90,354,418	162,617,021	72,262,603	55.6%	198,289,429	36.4%
1/1/01	105,756,501	168,807,826	63,051,325	62.6%	212,227,839	29.7%
1/1/02	113,924,658	181,194,905	67,270,247	62.9%	236,175,955	28.5%
1/1/03	113,031,328	201,855,183	88,823,854	56.0%	256,619,955	34.6%
1/1/04	150,351,363	225,589,130	75,237,766	66.6%	277,155,462	27.1%
1/1/05	178,497,546	254,374,828	75,877,282	70.2%	290,944,956	26.1%
1/1/06	197,722,089	272,270,967	74,548,878	72.6%	301,692,241	24.7%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended December 31	Annual Required Contribution	Percentage Contributed
1997	11,657,480	106.6%
1998	14,218,647	95.9%
1999	14,840,881	102.5%
2000	11,963,650	115.2%
2001	11,431,775	139.0%
2002	12,266,305	138.9%
2003	13,368,947	144.1%
2004	13,963,840	129.8%
2005	13,644,088	134.3%

NOTES TO THE REQUIRED SCHEDULES

Valuation Date	January 1, 2005
Actuarial Cost Method	Entry Age
Amortization Method	Level percent, closed period
Remaining Amortization Period	20 years
Asset Valuation Method	Market
Actuarial Assumptions:	
Investments rate of return	8%
Projected salary increases	4% for the first 15 years of membership and 3% thereafter
Cost-of-living adjustments	1%

COUNTY EMPLOYEES' RETIREMENT FUND

SCHEDULES OF ADMINISTRATIVE EXPENSES
For the Years Ended December 31, 2005 and 2004

	2005	2004
Personal services		
Staff salaries	$ 706,952	$ 726,493
Social security	53,449	52,502
Retirement	30,944	26,246
Insurance	108,251	105,554
Total personal services	899,596	910,795
Professional services		
Actuarial	156,321	150,400
Audit	37,320	32,942
Legal counsel	163,800	171,748
Legislative consultant	69,333	64,000
Plan design and implementation consultants	23,920	21,192
Total professional services	450,694	440,282
Communication		
Printing	22,825	15,566
Postage	24,481	18,311
Telephone	22,302	19,275
Total communication	69,608	53,152
Rentals		
Office space	28,389	77,183
Equipment leasing and maintenance	17,960	17,124
Total rentals	46,349	94,307
Miscellaneous		
Utilities	16,809	13,653
Board of directors expenses	9,543	21,595
Business risk insurance premiums	60,642	56,541
Staff development	21,778	56,877
Office	73,023	47,206
Depreciation	289,098	250,097
Property taxes	6,107	6,187
Total miscellaneous	477,000	452,156
Total administrative expenses	$ 1,943,247	$ 1,950,692

COUNTY EMPLOYEES' RETIREMENT FUND

SCHEDULES OF INVESTMENT EXPENSES
For the Years Ended December 31, 2005 and 2004

	2005	2004
Investment management expenses		
Domestic stocks	$ 486,102	$ 436,680
International stocks	204,463	182,844
Bonds	158,754	161,563
Real estate	14,145	-
Total investment management expenses	863,464	781,087
Other investment expenses		
Investment consultants	91,836	81,655
Investment custodian	135,684	113,843
Bank depository	7,449	7,167
Total other investment expenses	234,969	202,665
Total investment expenses	$ 1,098,433	$ 983,752